



**CITY OF BOCA RATON
EXECUTIVE EMPLOYEE'S RETIREMENT PLAN**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEE’S RETIREMENT PLAN**

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

Board of Trustees
City of Boca Raton Executive Employees' Retirement Plan
Boca Raton, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Boca Raton Executive Employee's Retirement Plan (the Plan), which comprise the statement of fiduciary net position as of September 30, 2014, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective Plan net position of the Boca Raton Executive Employee's Retirement Plan as of September 30, 2014, and the respective changes in Plan net position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, the Board of Trustees implemented Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of changes in the City's net pension liability and related ratios, City contributions and investment returns on pages 3-8 and 22-24 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2015 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Plan's internal control over financial reporting and compliance.

Marcum LLP

West Palm Beach, Florida
March 26, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF BOCA RATON EXECUTIVE EMPLOYEE'S RETIREMENT PLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Boca Raton (the City) Executive Employee's Retirement Plan (the "Plan") performance provides an overview of the financial activities and funding conditions for the year ended September 30, 2014. Readers are encouraged to consider the information presented in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- A net increase of approximately \$3.8 million in total fiduciary net position (or 13.8%) as a result of the year's activities was primarily due to net investment income.
- City contributions were approximately \$1.5 million. Contributions increased approximately \$91 thousand (or 6.7%) from 2013. The amount of employer contributions vary from year to year based on an actuarially determined requirement.
- Employee contributions were approximately \$717 thousand, representing 11% of payroll. Contributions decreased approximately \$232 thousand from the 2013. Member contributions will vary from year to year and are dependent upon several factors such as salary levels and number of active members.
- The equity and fixed income securities net investment income in an amount of approximately \$2.8 million in 2014 experienced a decrease of approximately \$750 thousand when compared to the approximate \$3.5 million gain in 2013.
- In 2014, total benefit payments and refunds of contributions decreased by approximately \$163 thousand (or 13%).

OVERVIEW OF FINANCIAL STATEMENTS

Management's Discussion and Analysis serves as an introduction to the financial statements. The financial statements consist of the statement of fiduciary net position, the statement of changes in fiduciary net position, and the notes to the financial statements. The required supplementary information immediately following the financial statements presents schedules of historical trend information. The financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board.

The *Statement of Fiduciary Net Position* is a point in time snapshot of account balances at year-end. It reports the assets plus deferred outflows available for future payments to retirees and their beneficiaries less any liabilities or deferred inflows that are owed as of the year end. The resulting net position restricted for pension benefits are available to meet on-going obligations.

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEE'S RETIREMENT PLAN**

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

The *Statement of Changes in Fiduciary Net Position* displays the effect of pension fund transactions that occurred during the year. The impact of those activities is shown as additions less deductions to the fiduciary net position. The trend of additions versus deductions to the plan indicates the condition of the Plan's financial position over time.

The *Notes to the Financial Statements* are an integral part of the financial reports. The notes provide detailed discussions of key policies and activities, and additional background that is essential for a complete understanding of the data presented in the statements.

The *Required Supplementary Information* presents a schedule of changes of the City's net pension liability of the City and related ratios, a schedule of City contributions, and a schedule of investment returns of the Plan along with a discussion of changes in actuarial assumptions and methods.

FINANCIAL ANALYSIS

The following is a condensed comparative summary of fiduciary net position:

SUMMARY OF FIDUCIARY NET POSITION				
	2014	2013	2014	
			Amount Change	% Change
Assets				
Cash	\$ 317,104	\$ 306,645	\$ 10,459	3.4%
Investments	31,393,306	27,570,150	3,823,156	13.9%
Total Assets	31,710,410	27,876,795	3,833,615	13.8%
Liabilities				
Payables	--	--	--	
Net Position	\$ 31,710,410	\$ 27,876,795	\$ 3,833,615	13.8%

The net position of the Plan is principally comprised of investments and investment related accruals. The net position held in trust for pension benefits reported in the year 2014 was approximately \$31.7 million compared to the net position reported in 2013 of approximately \$27.8 million. The net position increased by approximately \$ 3.8 million (or 13.8%) primarily due to the increase in investments due to the improved market conditions and increase in City contributions. See below for further details.

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEE'S RETIREMENT PLAN**

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS (CONTINUED)

The table below is a condensed comparative summary of the changes in fiduciary net position and reflects the activities of the Plan.

SUMMARY OF CHANGES IN FIDUCIARY NET POSITION

	2014	2013	2014	
			Amount Change	% Change
Additions				
City contributions	\$ 1,458,974	\$ 1,367,748	\$ 91,226	6.7%
Employee contributions	717,085	949,034	(231,949)	-24.4%
Net investment income	2,784,339	3,534,529	(750,190)	-21.2%
Total Additions	4,960,398	5,851,311	(890,913)	-15.2%
Deductions				
Benefit payments	1,067,798	1,251,455	(183,657)	-14.7%
Termination refunds	20,691	--	20,691	
Administrative expenses	38,294	35,505	2,789	7.9%
Total Deductions	1,126,783	1,286,960	(160,177)	-12.4%
Net Increase	3,833,615	4,564,351	(730,736)	16.0%
Plan Net Position - Beginning of Year	27,876,795	23,312,444	4,564,351	19.6%
Plan Net Position - End of Year	\$ 31,710,410	\$ 27,876,795	\$ 3,833,615	13.8%

The changes in fiduciary net position reflect the following:

Additions to the Plan net position decreased by approximately \$900 thousand from approximately \$5.9 million during 2013 to approximately \$5 million during 2014. City contributions equaled approximately \$1.5 million which were approximately \$91 thousand (or 6.7%) higher, as determined by the annual actuarial valuation. Net investment income was approximately \$750 thousand lower due to a lower net appreciation in the fair value of investments in 2014.

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEE'S RETIREMENT PLAN**

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS (CONTINUED)

Deductions to Plan net position decreased approximately \$160 thousand (or 12.4%) from approximately \$1.3 million during 2013 to approximately \$1.1 million in 2014. The majority of this activity relates to increased deferred retirement option plan (DROP) withdrawals of approximately \$190 thousand.

INVESTMENT ACTIVITIES

Investment income provides current and future financial stability. Therefore, the Trustees have a fiduciary responsibility to act prudently, when making Plan investment decisions.

The Board employs the services of an investment consultant to assist with informed investment decisions. The investment consultant reviews and periodically recommends changes to the Statement of Investment Policy and Objectives. Portfolio performance is reviewed quarterly by the Board and its investment consultant. Performance is evaluated for each individual money manager by investment type and for the total portfolio.

ASSET ALLOCATION

The table below indicates the asset allocation for the past two years. The table demonstrates the steps the Plan has taken to diversify its assets.

SUMMARY OF ASSET ALLOCATION

	<u>Policy</u>	<u>2014</u>	<u>2013</u>
	<u>Target</u>	<u>Actual</u>	<u>Actual</u>
Equity			
Domestic large cap	47%	46.5%	46.5%
Domestic small cap	13%	13.3%	12.9%
International equity	10%	9.2%	10.5%
Total Equity	70.0%	69.0%	69.9%
Fixed income	30%	30.0%	29.0%
Cash	0%	1.0%	1.1%
Total Asset Allocation	<u>100%</u>	<u>100%</u>	<u>100%</u>

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEE'S RETIREMENT PLAN**

MANAGEMENT'S DISCUSSION AND ANALYSIS

ASSET ALLOCATION (CONTINUED)

The percentage of total assets invested in each asset class was within the policy ranges and close to the target asset mix. Moderate changes in asset allocation occurred in 2014 primarily due to market conditions and reallocations in the equity asset classes.

INVESTMENT RETURNS

The summary of investment returns reflects the past three year returns as well as the three-year and five-year annualized rates of return for the year ending September 30th. The rates of return are time weighted, gross of fees, and based on market rate of return.

SUMMARY OF INVESTMENT RETURNS

Security Type	Annualized Return			
<i>Fund Return</i>	2014	3 Years	5 years	10 Years
Benchmark Return	<hr/>			
Equity				
<i>Domestic large cap equity</i>	18.55%	23.07%	16.52%	8.79%
Russell 1000	19.01%	23.23%	15.90%	8.46%
<i>Domestic large cap value</i>	18.89%	27.02%	16.67%	<i>N/A</i>
Russell 1000 Value	18.89%	23.93%	15.26%	7.84%
<i>Domestic large cap core</i>	17.80%	22.56%	15.42%	<i>N/A</i>
S&P 500	19.73%	22.99%	15.70%	8.11%
<i>Domestic large cap growth</i>	18.13%	20.33%	16.60%	8.61%
Russell 1000 Growth	19.15%	22.42%	16.50%	8.94%
<i>Domestic small cap to mid-c</i>	7.83%	23.11%	17.52%	12.49%
Custom Index	8.97%	22.80%	15.81%	8.91%
<i>International equity fund</i>	0.10%	10.30%	2.91%	<i>N/A</i>
MSCI ACWI Ex-US	5.22%	12.29%	6.50%	7.54%
Fixed Income				
<i>Core bonds</i>	3.32%	1.94%	3.48%	4.52%
Barclays Capital Aggregate A	3.39%	2.00%	3.76%	4.43%
<i>Core plus bonds</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Barclays Multiverse	1.41%	1.53%	2.96%	4.54%
Total Fund Return	9.71%	14.55%	10.61%	6.70%
Total Fund Benchmark	12.01%	15.77%	11.57%	7.34%

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEE'S RETIREMENT PLAN**

MANAGEMENT'S DISCUSSION AND ANALYSIS

INVESTMENT RETURNS (CONTINUED)

The Plan returned 9.71% for the year ended September 30, 2014. The Plan's performance this year was the result of strong returns in all asset classes, especially in the domestic and emerging markets. The Plan returned 14.47% for the year ended September 30, 2013 due to strong investment returns.

ECONOMIC FACTORS AND FUNDING STATUS

The Plan's funding objectives are to meet long-term benefit obligations through investment income and contributions. Accordingly, the collection of contributions and the income from investments are essential for providing the reserves needed to finance future retirement benefit payments. The Plan's investment activities are a function of the underlying marketplace for the period measured, money manager performance, and the investment policy's asset allocation. Maintaining a diversified portfolio of investments is critical for an opportunity of positive returns. A retirement plan's funding is a long term concept, where temporary fluctuations in the market are expected.

The schedule of changes in net pension liability and related ratios provide information of the Plan's fiduciary net position of as a percentage of total pension liability. The higher the ratio, the better funded the Plan is from an actuarial perspective. This schedule shows as of September 30, 2014 the ratio of 76.24% fiduciary net position as percentage of the total pension liability. The net pension liability as a percentage of covered employee payroll was 234.21%.

Management and its actuary believe that the Plan remains in sound financial position to meet its future obligations to the plan participants and beneficiaries.

REQUESTS FOR INFORMATION

This financial report is designed to provide the Trustees, retired and active plan participants with an overview of the Plan's finances. Questions concerning any information provided in this report or requests for additional information should be addressed to:

Florida Municipal Pension Trust Fund
Florida League of Cities, Inc.
Post Office Box 1757
Tallahassee, FL 32302-1757
Direct Line (850) 701-3633
Fax (850) 222-3806

FINANCIAL STATEMENTS

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' RETIREMENT PLAN**

STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2014

	<u>2014</u>
Assets	
Cash	\$ <u>317,104</u>
Investments, at Fair Value	
Diversified Small Cap Portfolio	4,217,485
Diversified Value Portfolio	2,885,647
International Blend Portfolio	2,917,358
Broad Market High Quality Bond Portfolio	3,710,118
Core Plus Fixed Income	5,803,005
High Quality Growth Portfolio	3,107,620
Russell 1000 Index Portfolio	<u>8,752,073</u>
Total Investments	<u>31,393,306</u>
Total Assets	<u>31,710,410</u>
Total Liabilities	<u>--</u>
Net Position Held in Trust for Pension Benefits	<u>\$ 31,710,410</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' RETIREMENT PLAN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	2014
Additions	
Contributions	
City	\$ 1,458,974
Employee	<u>717,085</u>
Total Contributions	<u>2,176,059</u>
Investment Income	
Net investment income	2,806,800
Less investment expenses	<u>(22,461)</u>
Net Investment Income	<u>2,784,339</u>
Total Additions	<u>4,960,398</u>
Deductions	
Benefit payments	
Retirement	1,067,798
Termination refunds	20,691
Administrative expenses	<u>38,294</u>
Total Deductions	<u>1,126,783</u>
Net Increase	3,833,615
Net Position Held in Trust for Pension Benefits	
Beginning of Year	<u>27,876,795</u>
End of Year	<u><u>\$ 31,710,410</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEE’S RETIREMENT PLAN**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

PLAN ADMINISTRATION

The Executive Employees’ Retirement Plan (the Plan) is a single-employer defined benefit plan administered by a five-member Board of Trustees that covers the executive employees of the City of Boca Raton. The Plan was established by Ordinance 4745, adopted November 12, 2003, by City Council. The Plan is also governed by Chapter 112, Florida Statutes.

PLAN MEMBERSHIP

As of September 30, 2014 membership in the Plan consisted of:

	<u>2014</u>
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	25
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	9
Active Plan Members	<u>40</u>
Total	<u>74</u>

PENSION BENEFITS

The Plan provides for retirement, termination, disability and death benefits.

Normal Retirement

Plan members are assigned to one of four divisions, each providing different levels of benefits depending on their division and entry into the plan. Division 1 includes D1, D2 and D3 pay classifications; Division 2 includes D4 and higher D pay classifications; Division 3 includes DD pay classifications and Division 4 includes the City Manager and City Attorney, if they elect to participate in the plan. Retirement benefits are calculated by multiplying the member’s earnings averaged over five year (for Division 1 through Division 3) or two year (for Division 4) times the member’s year of continuous service times a multiplier determined by their plan level subject to a maximum of 90%.

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEE'S RETIREMENT PLAN**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

PENSION BENEFITS (CONTINUED)

Normal Retirement (continued)

For members on or before September 30, 2010 Division 1, Division 2, and Division 3 utilize multipliers of 3.05, 3.15 and 3.25 respectively. Division 4 utilizes a multiplier of 4.45 for the first 10 year and 3.35 thereafter. After September 30, 2010 new members assigned to Division 1, Division 2, Division 3 and Division 4 utilize multipliers of 2.35, 2.45, 2.55 and 2.65 respectively.

Members are eligible to retire the earlier of reaching age 65 with at least 6 year of vesting service or reaching age 55 with at least 10 year of vesting service or for new members after September 30, 2010 age 58 with at least 10 year of vesting service. Monthly benefits are calculated as a percentage of average final compensation. A cost of living increase of 2% per year for Divisions 1, 2 and 3 and 3% per year for Division 4 in current monthly benefits commence on October 1st following 5 year after retirement.

Early Retirement

The Plan permits early retirement for all participants at the age of 50 and the completion of 10 year of vesting service or for new members after September 30, 2010 age 53 and the completion of 10 year of vesting service. Members qualify for early retirement benefits upon attaining age 50 with 10 year of continuous service or for new members after September 30, 2010 age 53 with 10 year of continuous service. If a participant terminates employment after having attained the early retirement date, they have the following two available options:

1. The benefits can be deferred until the member's normal retirement date, in which case the benefit will be calculated the same as normal retirement, or
2. The member may take a reduced benefit, which may start any time prior to the normal retirement date. The reduction factor is 5% for each year early retirement precede the normal retirement age 55 or 58 for new members who join the plan after September 30, 2010.

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEE'S RETIREMENT PLAN**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

PENSION BENEFITS (CONTINUED)

Disability Retirement

Active employees who become disabled receive 60% of the average final compensation as of the date of disability payable starting at age 65. Disability benefits are paid until the earlier of death or recovery from disability.

Preretirement Death Benefit

If an active employee dies, a member's beneficiary is entitled to an accrued benefit that varies with age, length of service and employee division. If an employee terminates his employment with the City and is not eligible for any other benefits under the plan, the member is entitled to the following:

1. With less than six year of continuous service, a refund of member contribution plus 5% interest.
2. With six or more year of continuous service, the pension accrued to the date of termination, payable commencing at the member's normal retirement date.

Termination Refunds

If an employee terminates employment and is not eligible for any other benefits under the system, he is entitled to the following:

- With less than 10 year of continuous service, a refund of the member contribution is made plus 3% interest, or
- With 10 or more year of continuous service, the pension accrued to the date of termination, payable commencing at his or her normal retirement date or at the member's option, lump-sum refund of the member contribution is made plus 3% interest.

Deferred Retirement Option Plan

The Deferred Retirement Option Plan (DROP) is available to active plan members who are eligible for normal retirement. Upon electing to participate in the DROP, members are considered to have retired for purposes of the pension plan but continue to remain in active employment with the City. The member's normal retirement benefit is calculated as if the member had actually retired on the date of DROP participation, using continuous service and average monthly earnings as of that date.

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEE'S RETIREMENT PLAN**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

PENSION BENEFITS (CONTINUED)

Deferred Retirement Option Plan (continued)

Members who have reached normal retirement age may elect to participate in the Deferred Retirement Option Plan (DROP). They will remain active employees of the City, but will no longer contribute to the Plan. Their benefits will remain frozen and continue to accrue interest until they retire from the City, at which time DROP benefits will be paid. Maximum duration of participation is sixty months. At September 30, 2014, there were 8 DROP participants with a total balance of \$1,214,346.

Cost-of-Living Adjustment

A cost of living increase of 2% per year for Divisions 1, 2 and 3 and 3% per year for Division 4 in current monthly benefits commence on October 1st following 5 year after retirement.

CONTRIBUTIONS

Contributions required from members are at the rate of 11% of compensation. Employer contributions for the year ended September 30, 2014, determined using the actuarial valuation dated October 1, 2012, were 30.44% of covered payroll. The Plan's funding policy provides for actuarially determined periodic employer contributions sufficient to pay the benefits provided by the Plan when they become due.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial Statement are prepared using the accrual basis of accounting. Contributions from members are recorded in the period the City makes payroll deductions from participants (members). City contribution requirements are actuarially determined and remitted annually on October 1. Benefit payments and refunds to members are recognized when due and payable in accordance with the terms of the Plan.

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEE'S RETIREMENT PLAN**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPLEMENTATION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT

The Board implemented the following GASB Statement during the year:
GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*.

This Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*. This Statement enhances note disclosures and Required Supplementary Information (RSI) and requires the presentation of new information about annual money-weighted rates of return in the notes to the financial Statement and in the RSI schedules.

USE OF ESTIMATES

The preparation of financial Statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial Statement and the reported amounts of additions and deductions in net position available for plan benefits. Actual results could differ from those estimates.

DEPOSITS

The Plan's cash deposits are held in qualified public depositories pursuant to State of Florida Statutes, Chapter 280, *Florida Security for Public Deposits Act*. Therefore, all deposits are deemed as insured.

INVESTMENTS

Investments are held in the Florida Municipal Pension Trust Fund, administered by the Florida League of Cities. The improvements are valued using the pooled share price, which is fair value.

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEE'S RETIREMENT PLAN**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of fiduciary net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Plan has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net fiduciary position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Plan has no items that qualify for reporting in this category.

TAX STATUS

Management and tax counsel believe that the Plan is currently being operated in compliance with the applicable requirements of the Internal Revenue Code.

NOTE 3 – DEPOSITS AND INVESTMENTS

The following represents the fair value of deposits and investments at September 30th:

Portfolio/Investments	Fair Value	Weighted Average Maturity	Credit Rating	Percent Distribution
Cash Deposits	\$ 317,104			1.00%
Core Plus Fixed Income	5,803,005	6.52 years	Not rated	18.30%
FMIvT Broad Market High Quality Bond Fund	3,710,118		AA/V4 Fitch	11.70%
FMIvT Market High Quality Growth Portfolio	3,107,620	6.47 years	Not rated	9.80%
FMIvT Large Cap Diversified Value Portfolio	2,885,647		Not rated	9.10%
FMIvT Russell 1000 Enhanced Index Portfolio	8,752,073		Not rated	27.60%
FMIvT Diversified Small Cap Equity Portfolio	4,217,485		Not rated	13.30%
FMIvT International Portfolio	<u>2,917,358</u>		Not rated	<u>9.20%</u>
Total Investments	<u>31,393,306</u>			
Total Cash and Investments	<u>\$31,710,410</u>			<u>100.00%</u>

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEE'S RETIREMENT PLAN**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

The Florida Municipal Investment Trust (Municipal Trust) was created under the laws of the State of Florida to provide eligible units of local government with an investment vehicle to pool their surplus funds and to reinvest such funds in one or more investment portfolios under the direction and daily supervision of an investment advisor. The Florida League of Cities serves as the administrator, investment manager and secretary-treasurer of the Trust. The Municipal Trust is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for a "2a-7 like" pool.

INVESTMENT MANAGEMENT

The City has contracted with the Florida Municipal Pension Trust Fund (FMPTF) to administer the Executive Employees' Retirement Plan. The FMPTF invests pension assets in the Florida Municipal Investment Trust (the Trust), an interlocal government entity created under the laws of the State of Florida as an investment vehicle for those participating governments. The Trust invests funds into one or more investment portfolios under the supervision of investment managers. The portfolio does not distribute income or capital gains to its members. All income earned and capital gains realized are retained by the portfolio and reinvested.

RATE OF RETURN

For the year ended September 30, 2014 the annual money-weighted rate of return on Plan investments, net of plan investment expense, was 7.6 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Inputs to the internal rate of return calculation are determined on a monthly basis.

FIXED INCOME SECURITY INVESTMENT GUIDELINES AND RISK

The Plan is potentially exposed to various types of investment risk including credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk. Prohibited fixed income investments include tax exempt securities, private mortgages and private label residential mortgage-backed securities. The following is a detailed discussion of these investment risks and related guidelines:

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEE'S RETIREMENT PLAN**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

FIXED INCOME SECURITY INVESTMENT GUIDELINES AND RISK (CONTINUED)

Credit Risk

The EERP allows investments in rated investments in Commercial Paper with A1/P1 or a comparable rating as provided by two of the top nationally recognized statistical rating organizations; and that the corporation's long-term debt, if any, is rated at least A1/A+ by a nationally recognized statistical rating organization or, if backed by a letter of credit (LOC), the long-term debt of the LOC provider must be rated at least AA (or comparable rating) by at least two of the nationally recognized statistical rating agencies publishing ratings for financial institutions. Banker's Acceptances issued with the U.S. by institutions with a long-term debt rating of at least AA or short term debt rating of P1 (or comparable rating) as provided by one nationally recognized statistical rating organization.

Nonnegotiable Certificates of Deposit must be rated at least A1/P1 (or comparable rating) and a long-term rating of a least A (or comparable rating) as provided by two of the top nationally recognized rating agencies. Guaranteed Investment Contracts must be rated in the highest category by AM Best Rating System or a comparable nationally recognized statistical rating organization. All investments held in the portfolio meet these requirements. At September 30, 2014 the portfolio met the credit rating limitations of the investment policy as presented in the preceding table.

The City's investment policy requires that all securities, with the exception of certificates of deposit, be held with a third party custodian. Security transactions between a broker/dealer and the custodian involving the purchase or sale of securities by transfer of money or securities are made on a "delivery vs. payment" basis to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. As of September 30, 2014, the City's investment portfolio was held with a third-party custodian.

Concentration of Credit Risk

The EERP allows no more than \$5 million in certificates of deposit with any one depository at one time. Corporate fixed income securities are limited to no more than 5% of any one corporation at the time of purchase. No more than \$10 million in investment agreements with other financial institutions may be entered into with any one financial institution. No investments exceeded these limits.

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEE'S RETIREMENT PLAN**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

FIXED INCOME SECURITY INVESTMENT GUIDELINES AND RISK (CONTINUED)

Interest Rate Risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The EERP has a maximum maturity at purchase of 180 days with a total average maturity, at any point in time, for all repurchase agreements held of not greater than 60 days. Bankers' Acceptances maximum maturity shall not exceed 270 days from the time of purchase. Nonnegotiable Certificates of Deposit shall not exceed 2 year. No investments held in the portfolio exceed these limits.

RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position.

The Plan, through its investment advisor, monitors the Plan's investments and the risks associated therewith on a regular basis which the Plan believes minimizes these risks.

NOTE 4 – NET PENSION LIABILITY OF THE CITY

The components of the net pension liability at September 30, 2014, were as follows:

Total pension liability	\$ 41,592,839
Plan fiduciary net position	<u>(31,710,410)</u>
Net pension liability	<u>\$ 9,882,429</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>76.24%</u>

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEE'S RETIREMENT PLAN**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 4 –NET PENSION LIABILITY OF THE CITY (CONTINUED)

SIGNIFICANT ACTUARIAL ASSUMPTIONS

The total pension liability was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014 using the following actuarial assumptions applied to all measurement periods.

Inflation	3.00%
Salary Increases	Varies%
Investment Rate of Return	7.50%

Mortality is assumed to follow the RP-2000 Combined Health Mortality Table-Dynamic with projection to valuation year.

LONG-TERM EXPECTED RATE OF RETURN

The long-term expected rates of return on classes of pension plan investments were developed by the investment consultant Asset Consulting Group (ACG) using Monte Carlo Simulations to analyze a range of possible outcomes and assist in making educated investment decisions. The output of the Monte Carlo Simulation is based on ACG's capital market assumptions that are derived from proprietary models based upon well-recognized financial principles and reasonable estimates about relevant future market conditions. The long-term expected rate of return was calculated by weighting the expected future real rates of return of each asset class by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Core Bonds	2.3%
Multi-Sector	2.8
U.S. Large Cap Equity	5.7
U.S. Small Cap Equity	6.2
Non-U.S. Equity	5.4

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEE'S RETIREMENT PLAN**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 4 –NET PENSION LIABILITY OF THE CITY (CONTINUED)

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the net pension liability of the City, calculated using the discount rate of 7.5 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50)</u>
Net Pension Liability	\$14,945,530	\$9,882,429	\$5,648,211

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' PENSION PLAN**

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN CITY'S NET PENSION LIABILITY
AND RELATED RATIOS**

	September 30, 2014
Total Pension Liability	
Service cost	\$ 807,122
Interest	697,665
Changes of benefit terms	--
Differences between expected and actual experience	422,847
Changes of assumptions	1,055,238
Benefit payments, including refunds of member contributions	1,088,490
Net Change in Total Pension Liability	4,071,362
Total Pension Liability - Beginning	37,521,477
Total Pension Liability - Ending (a)	<u>\$ 41,592,839</u>
Plan Fiduciary Net Position	
Contributions - employer	1,458,974
Contributions - member	717,085
Net investment income	2,784,339
Benefit payments, including refunds of member contributions	(1,088,489)
Administrative expense	38,294
Net Change in Plan Fiduciary Net Position	3,833,615
Plan Fiduciary Net Position - Beginning	27,876,795
Plan Fiduciary Net Position - Ending (b)	<u>\$ 31,710,410</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 9,882,429</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.24%
Covered Employee Payroll	\$ 4,219,447
Net Pension Liability as a Percentage of Covered-Employee Payroll	234.21%

Notes to Schedule:

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS**

	September 30, 2014
Actuarially determined contribution	\$ 1,572,044
Contributions in relation to the actuarially determined contribution	1,572,044
Contribution deficiency (excess)	\$ --
Covered-employee payroll	\$4,219,447
Contributions as a percentage of covered-employee payroll	37.26%

Notes to Schedule

Valuation date: October 1, 2012

Actuarially determined contribution rates are calculated as of October 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Measurement date	October 1, 2012
Actuarial cost method	Entry age
Asset valuation method	5-year smoothing
Salary increases	varies
Inflation	3.00%
Investment rate of return	7.75%

Mortality rates were based on the RP-2000 Generational Mortality Table for healthy Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

Note to Schedule:

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS**

September 30,
2014

Annual money-weighted rate of return, net of investment expense	7.6%
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Notes to Schedule:

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

REPORTING SECTION

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees

City of Boca Raton Executive Employees' Retirement Plan

Boca Raton, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Boca Raton Executive Employee's Retirement Plan (the Plan), as of and for the year ended September 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated March 26, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

West Palm Beach, Florida
March 26, 2015